

ER 4311-88
16 November 1988

MEMORANDUM FOR: Director of Central Intelligence

VIA: Deputy Director of Central Intelligence

FROM: Executive Director

SUBJECT: Proposed Changes to the CIA Retirement and Disability System (CIARDS) and the Federal Employees Retirement System-Special Category (FERS-Special)

1. Action Requested. That you approve the recommendation made by the Executive Committee that the Agency seek legislation in January to reduce the qualifying period for our FERS-Special and CIARDS retirement systems to accord with the modified FERS-Special rules recently adopted elsewhere in the government.

2. Background: At the present time, Agency employees who serve five years overseas qualify for enrollment in CIARDS or FERS-Special, which enables them to retire without annuity reduction at age 50 (rather than age 55), after 20 years service. FERS-Special replaces CIARDS as the Agency's special retirement system for employees hired after 1 January 1984. Unlike CIARDS, however, FERS-Special is not an Agency-unique system; it covers the Foreign Service, air traffic controllers, firefighters, and law enforcement officers as well. In the last session of Congress, qualifying service for firefighters and law enforcement officers was reduced from 10 years to three. (There is no specific period of qualifying service for the Foreign Service or air traffic controllers.)

3. About 17 percent of the Agency population now is in the CIARDS or FERS-special category. Legislative history and testimony indicates, however, that Congress originally envisioned that employees eligible for such early retirement could constitute between 25 and 33 percent of the Agency population. When the FERS legislation was being enacted, the Senate Intelligence Committee suggested that we take a look at our eligibility rules, because of the declining participation levels and the passage of time since CIARDS legislation was enacted more than 20 years earlier.

4. Discussion: In light of the above developments, our Office of Personnel (OP) examined ways in which we could increase the percentage of our population that is qualified to participate in either CIARDS or FERS-Special. OP briefed the Executive Committee on its findings on 7 November. The most obvious step to take to enlarge the population, and the one which OP and the Committee commends to you, is to reduce qualifying service for our FERS-Special employees from five years to three, which would also bring our FERS-Special qualifying service into line with the new three-year rule for

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firefighters and law enforcement officers. This would increase the number of Agency employees in FERS-Special by about [] over the next five years and cost the Agency an average of [] annually in additional retirement annuities.

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5. Such a step, however, almost certainly would be seen to discriminate against employees presently in CIARDS, so the Executive Committee also recommends that we seek legislation to reduce qualifying overseas service for CIARDS from five years to three. This would immediately bring another [] or so employees into the system, although many of these would soon have qualified for CIARDS anyway. There would, of course, be an additional cost here as well, but unlike FERS-Special, the increased CIARDS cost would be covered by separate appropriations for that retirement system, and would not compete directly with our other programs.

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6. Taken together, these two steps would bring our combined CIARDS/FERS-Special population back up to about 25 percent of the Agency workforce. By making more people eligible for early retirement, this might give high performing officers more incentive to stay with us until age 50, despite having to accept lower pay than they could make on the outside. It might also reduce the number of older people at high grade levels, thus helping us to maintain a relatively young and vigorous workforce--which was the original intent of CIARDS. Finally, it probably would encourage more people [] to serve at least three years overseas.

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7. At the same time, however--as the ADDO expressed concern about at the meeting--such a step might also discourage some people from serving more than one (three-year) tour overseas; such an outcome obviously would create problems for the DO. The other Committee members doubted that this would happen, however, if career advancement in the DO continues to be primarily dependent on one's performance overseas.

8. OP offered several other suggestions for increasing the size of the CIARDS/FERS-Special population, all of which were rejected by the Executive Committee. But one of the suggestions--allowing officers to retire if they have been at the SIS-level for five years, are at least 50 years old, have 20 years Federal civilian service, and 10 years Agency service--was seen to have merit as a means of increasing the flow-through of SIS officers. Rather than making these senior officers eligible for CIARDS or FERS-Special, however, we decided that OP should see what authorities you already have or could be given to waive reduced annuities for any employee who is involuntarily retired

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before age 55. Such a program might allow us to deal gracefully with someone who has been in the same job for several years, has no real lateral mobility, and for whom we have no promotion plans, but is only 50 years old. We all agreed that this would be a useful management tool for easing out SIS officers as well as others who may have largely outlived their usefulness to the Agency. I will report back to you later on OP's findings.

9. Recommendation: That you approve the Executive Committee's recommendation to seek legislation to reduce qualifying service for enrollment in CIARDS and FERS-Special from five years to three.

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CONCUR:

/s/ Robert M. Gates
Deputy Director of Center Intelligence

18 NOV 1988.
Date

APPROVED:

/s/ William H. Webster
Director of Central Intelligence

28 NOV 1988.
Date

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